



# Trading Floor Research

Welcome to the  
Trading Floor



01/23/22

## This Trading Floor Research report contains:

- A unique look at **Coinbase (COIN)** and what it tells me about the near-term trend in Cryptocurrencies.
- The **CBOE Volatility Index (VIX)** and what it is telling me about the next tradeable bounce.
- **W. D. Gann's "January effect"** and what it tells us about this year's market trend.
- **Tuttle Capital Short Innovation ETF (SARK)** update as we approach the 48.78 target number.



## Essential Lessons for Stock Market Success.

Class resumes Thursday February 3, 2022 at the USW Burns Harbor Career Development Center

A morning and afternoon class will be given:

- 8:30 am-10:30 am
- 4:00 pm-6:00 pm

Learn how to identify winning stocks before they move higher and short stocks before they move lower.

Invite a family member or friend

Call Sarah to reserve a seat at 219-787-3101

## *Sectors, Industry Groups & Leadership Stocks*

8 of the 11 market sectors are in sell signals. Energy is the only sector that has maintained a strong buy signal. The downward pressure of the markets has pushed Financial Services and the Utility sector very close to a sell signal.

Three weeks into the new year, the S&P 500 index is down -7.7%, the NASDAQ Composite is down-12%, and the Russell 2000 is down -11.50%. This is an awful start for the new year, and it comes with a lot of institutional distribution.

If you own stock, you will probably experience a loss next week. We have reached the point of the down cycle that most stocks will be forced lower with the prevailing downtrend.

Energy continued to be the sector showing the most significant strength last week, but even energy stocks closed lower for the week.

Oil & Gas Integrated and Oil & Gas Canadian Exploration are two industry groups showing strength. I continue to focus on a Brazilian stock from the energy sector called **Petroleo Bras**. (Featured in last week's report). Strength in this stock is also coming from the Brazilian stock market up +6.6% year to date. Watch for my buy confirmation text when the energy sector resumes its uptrend.

In this report, I will take a unique look at **Coinbase (COIN)** and what it tells me about the near-term trend in Cryptocurrencies.

I will also update the **CBOE Volatility Index (VIX)** and what it is telling me about the next tradeable bounce.

This week, we will examine what **W. D. Gann** said 100 years ago about the **January effect** and what it tells us about this year's market trend.

## Sectors, Industry Groups & Leadership Stocks

*The S&P 500, NASDAQ, and Russell 2000 remain in sell signals, and finished the week with losses.*

*The small-cap Russell 2000 closed at a 52-week low on massive volume. The bears are firmly in control of the Russell 2000 and strongly indicate "Risk-Off" in the markets.*

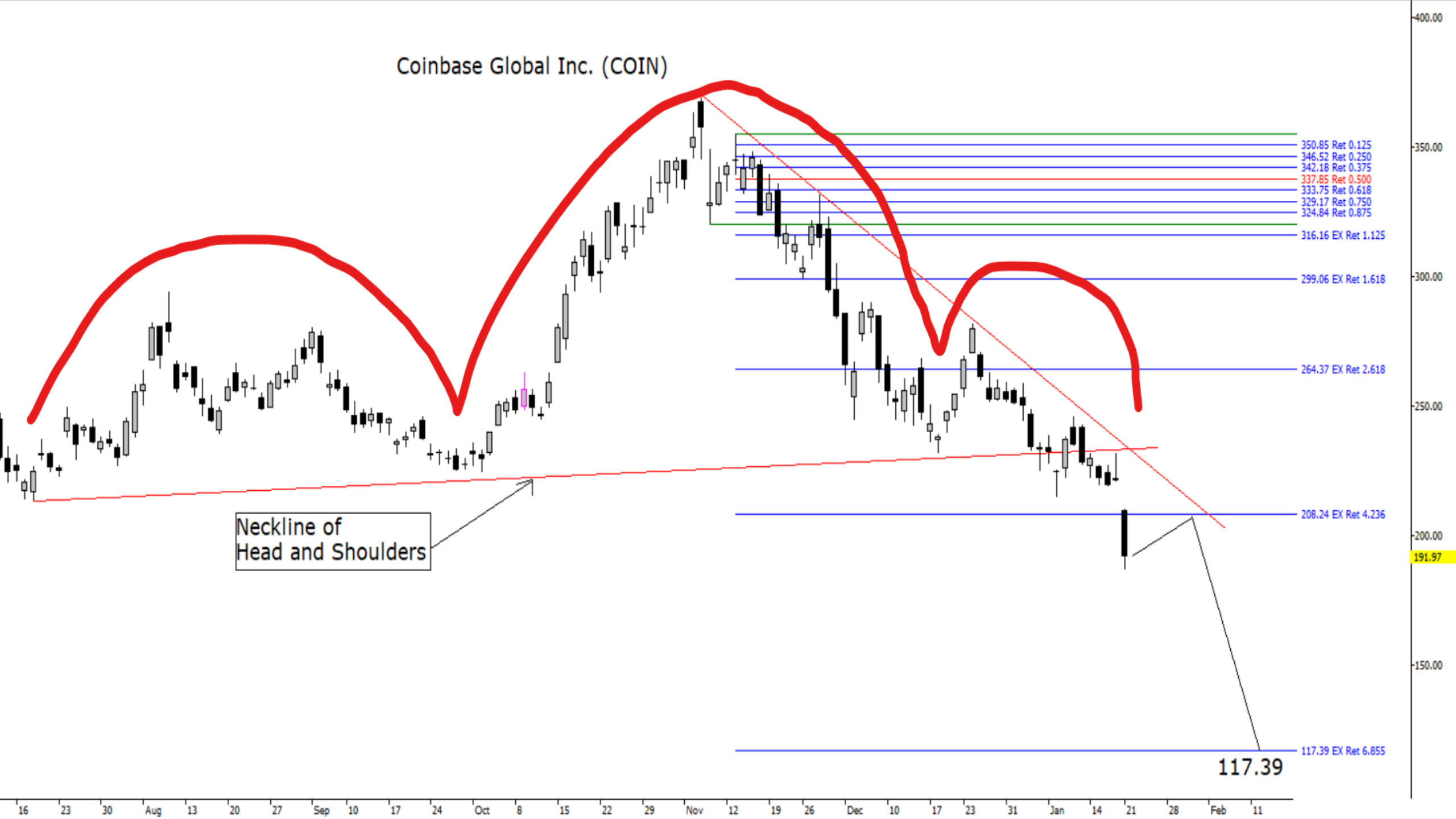
**I continue to recommend caution and high cash levels** until more market sectors and industry groups show volume confirmation.

**Wait for "Risk On" to get aggressive!**

## *Short candidate: Coinbase Global CL A (COIN)*

- Industry Group: **Computer Software Financial**. The group currently ranks as the 174th strongest industry group out of 197 and is down -15.48% YTD. The group gave a 20-day closing low sell signal on 12/01/21.
- **Coinbase Global CL A (COIN)** created a platform to invest and use cryptocurrency assets for retail users and institutions.
- Coinbase Global CL A (COIN) started its downtrend on the first day of trading as an IPO on April 14, 2021. Since then, the stock hit a low of 208 in May 2021 and rallied to a lower high of 368.90 in November 2021. Last week it closed below the 208 low on massive volume. The chart pattern I described is of a lower high and a lower low and is Charles Dow's primary definition of a downtrend. (Refer to COIN weekly chart)
- In addition to defining a downtrend for the entire trading period, Coinbase Global CL A (COIN) completed a head and shoulders continuation pattern. From the top of the head at 368.90 to the neckline, the swing rule would indicate a downside target at 117.39/share.
- This is currently Cathie Wood's largest holding and would not be a good sign for ARK Invest.
- I also believe that Coinbase is a proxy for cryptocurrencies, and a move to 117.39/share indicates a continuation of the downtrend in cryptocurrencies.
- **To take advantage of this move lower on Coinbase Global CL A (COIN), I will wait for a pullback to Fibonacci resistance at 208.24 and a 30-minute sell signal.**
- **Wait for a text confirmation!**
- Initiate SHORT position at 1-star(\*)
- **Under massive institutional distribution** with an Up/Down Volume ratio of 0.49.
- Coinbase Global CL A (COIN) closed at 191.97.
- Coinbase Global CL A (COIN) VWAP is at 283.20.
- Target prices: 1st target is **117.39**
- Stop sell price: Close below **208.24**.

# Coinbase Global Inc. (COIN)



# Coinbase Global Inc. (COIN)



Lower High

400

340

300

260

230

200

180



Lower low



EPS  
+999%



EPS  
+999%



EPS  
+295%



RS Rating  
17

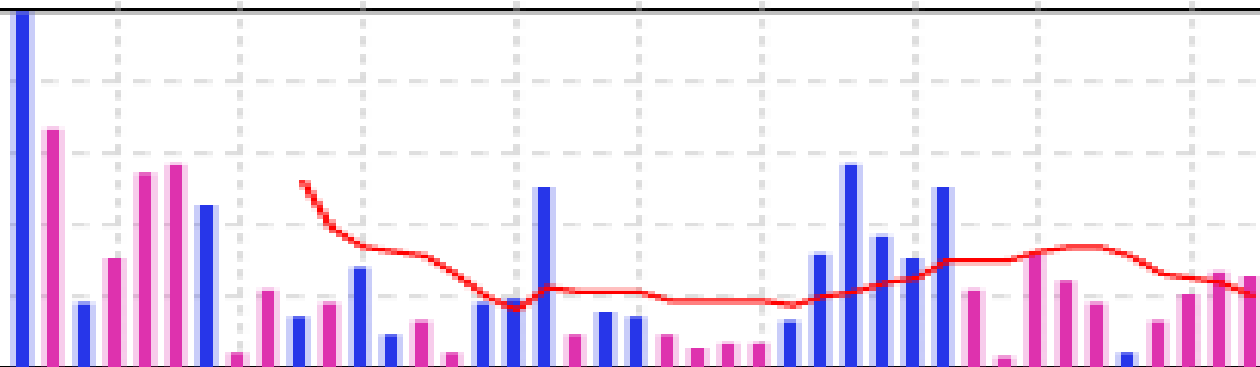
Volume

88,100,000

54,100,000

33,200,000

20,400,000





## W.D. Gann's "January Effect"

After reading "How to make money in Stocks" by William O'Neil, the second book I read was "The Truth of the Stock Tape" by W.D. Gann. This book has so many nuggets of wisdom that I have use every day for the past 32 years. One nugget I would like to share with you is Gann's "January Effect." It is a great way to let January market prices give you a roadmap for the current year.

W. D. Gann said: *"January 2nd to the 7th and 15th to the 21st watch these periods, each year and note the high and low prices made. Until these high prices are crossed, or low prices broke, consider the trend up or down."*

As a trader and former portfolio manager that follows the principles of William O'Neil, I evaluate individual stocks with a top-down method. That means that before I buy a stock, I want to make sure the market is in an uptrend, and the stocks sector and industry group have given a buy signal. For that reason, I start my newsletter with my current observations of the market and industry group conditions.

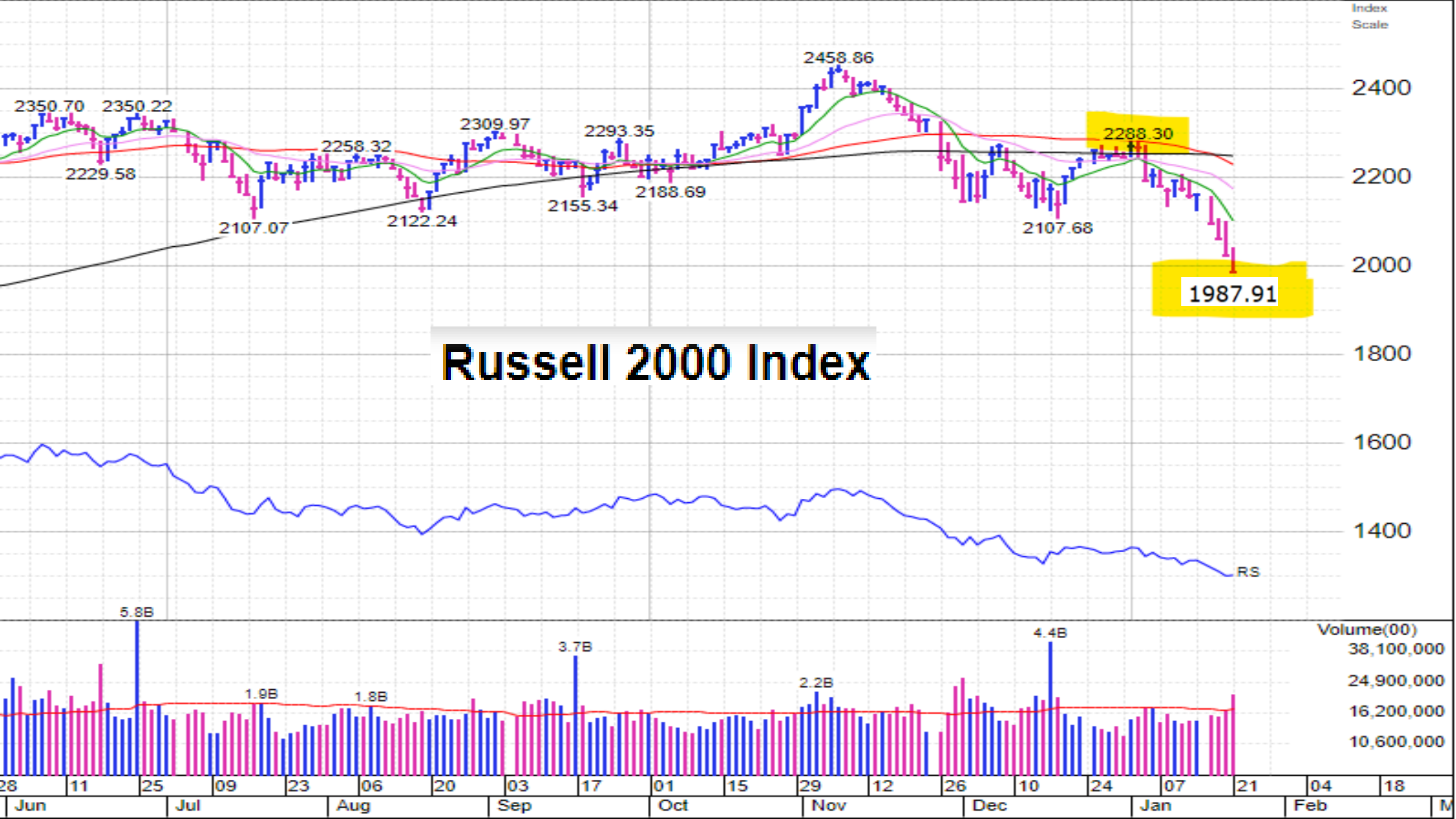
Three out of every four stocks will follow the market trend. To increase my probability of success, I think it is essential to know the market direction.

Using W.D Gann's templet, **what is January telling us about the market trend for 2022?**

So far, we have established a market **high** within the two ranges on **January 4<sup>th</sup>** with the **S&P 500 high at 4818.62**, the **NASDAQ Composite high at 15.852.14**, and the **Russell 2000 high at 2288.30**. We will not declare a market uptrend for the year until the market has traded higher than those numbers. The first market to achieve this will indicate relative strength and where we should be putting our money.

The market **low** between these ranges happened on Friday, **January 21<sup>st</sup>** with the **S&P 500 low at 4397.18**, the **NASDAQ Composite low at 13764.87**, and the **Russell 2000 low at 1987.91**. Taking out these lows next week will officially put us in a yearly downtrend until the January 4<sup>th</sup> highs have been exceeded. In the past, trading below these lows has indicated a downward trend for the next few months and sometimes the entire year.

We can use this information by lowering our targets for long positions and emphasizing short positions as the market stairsteps lower. When the market gives the next buy signal, we can start making significant percentage gains once again.



## *Market Signal from CBOE Volatility Index (VIX)*

The **CBOE Volatility Index (VIX)** continues to provide excellent clues to the beginning and end of each market selloff as the market trends lower. The VIX is a measure of investor fear. The value of the VIX increases as the market declines and investors' fears rise. The reverse is true when the market advances. Investors' fear declines along with the value of the VIX.

The VIX index is constructed using Call and Put options traded at the Chicago Board Options Exchange (CBOE) in the S&P 500. The calculation is complex, but the index measures the volume of contracts bought at different distances from where the index is currently trading.

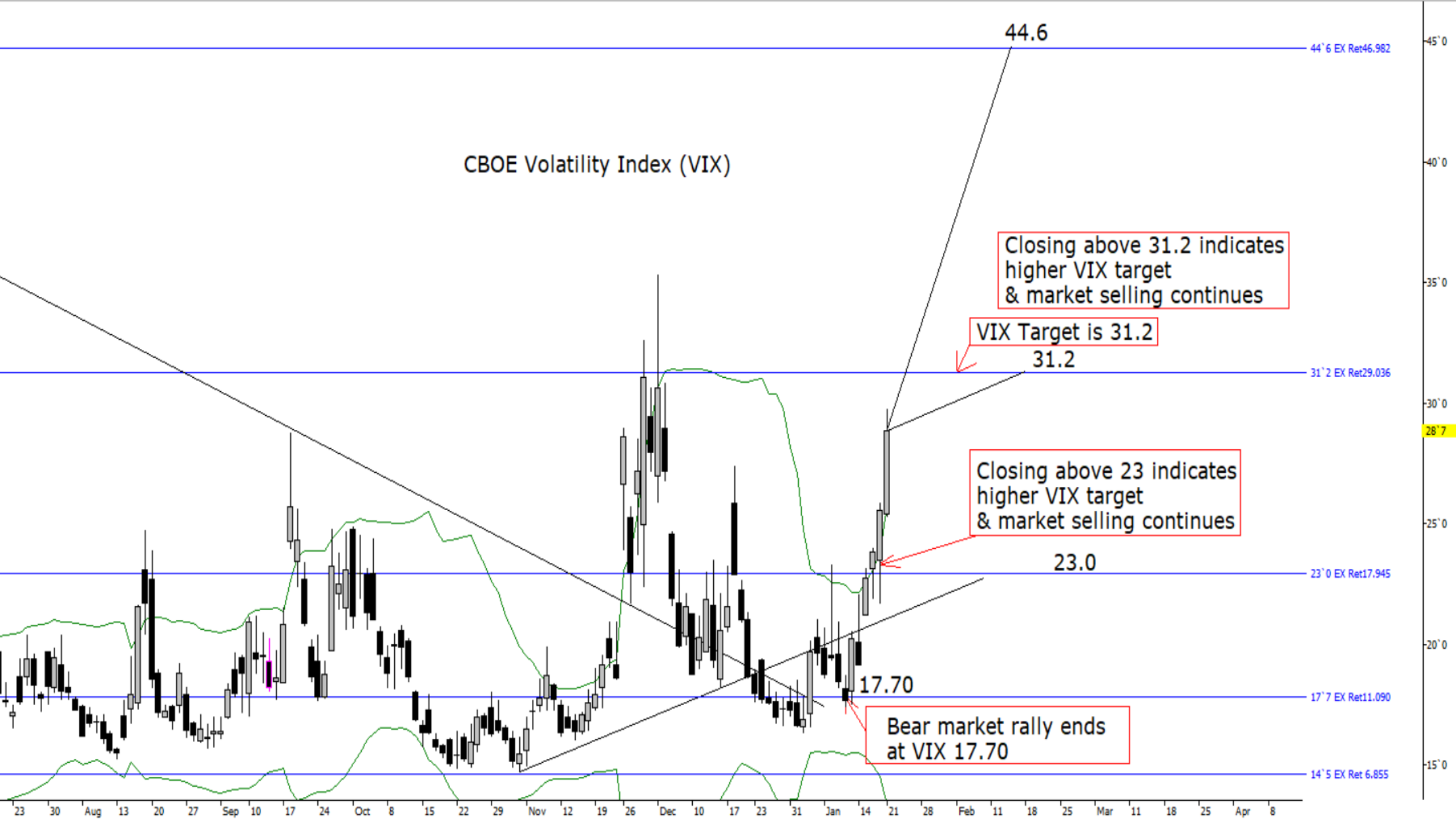
Over the past few months, I have used the VIX to inform readers of market selloffs and advances using Fibonacci target numbers. The crazy swings in this market have caused many traders to give up trying to trade this market. I have found that short-term trading in this volatile market has been made much easier using this indicator, and I have made extra money buying Put and call options at the turns. When the VIX has successfully challenged a Fibonacci target number, it has offered high probability turning points in the market. Look through past newsletters in the TFR Newsletter library to see how well the turns have worked.

The last market turn I highlighted a week and a half ago was when the VIX went lower to the 17.70 Fibonacci targets and reversed as the market started to sell off again. On Wednesday, when the VIX closed above the 23 Fibonacci target number, I reported that it would indicate continued selling in the market. I would watch how the VIX acts at the following target number 31.2. On Friday, the VIX traded as high as 29.75, and the market continued to sell off.

I will continue to watch how the VIX trades at the 31.2 target number. If we close above that number as we did at 23.0, the market will continue to decline. If, after trading above the number, we close back below 31.2, watch for the market to rally. A close above 31.2 will indicate the VIX could move to the following Fibonacci target number of 44. It is infrequent that the VIX closes above the 44-target number. One of those rare occurrences happened in March of 2020 in the Covid market selloff when the VIX traded as high as 85.47 above my 66.4 Fibonacci target number before it tumbled lower.

Watch for future reports on this critical indicator. I will send a text at crucial turns.

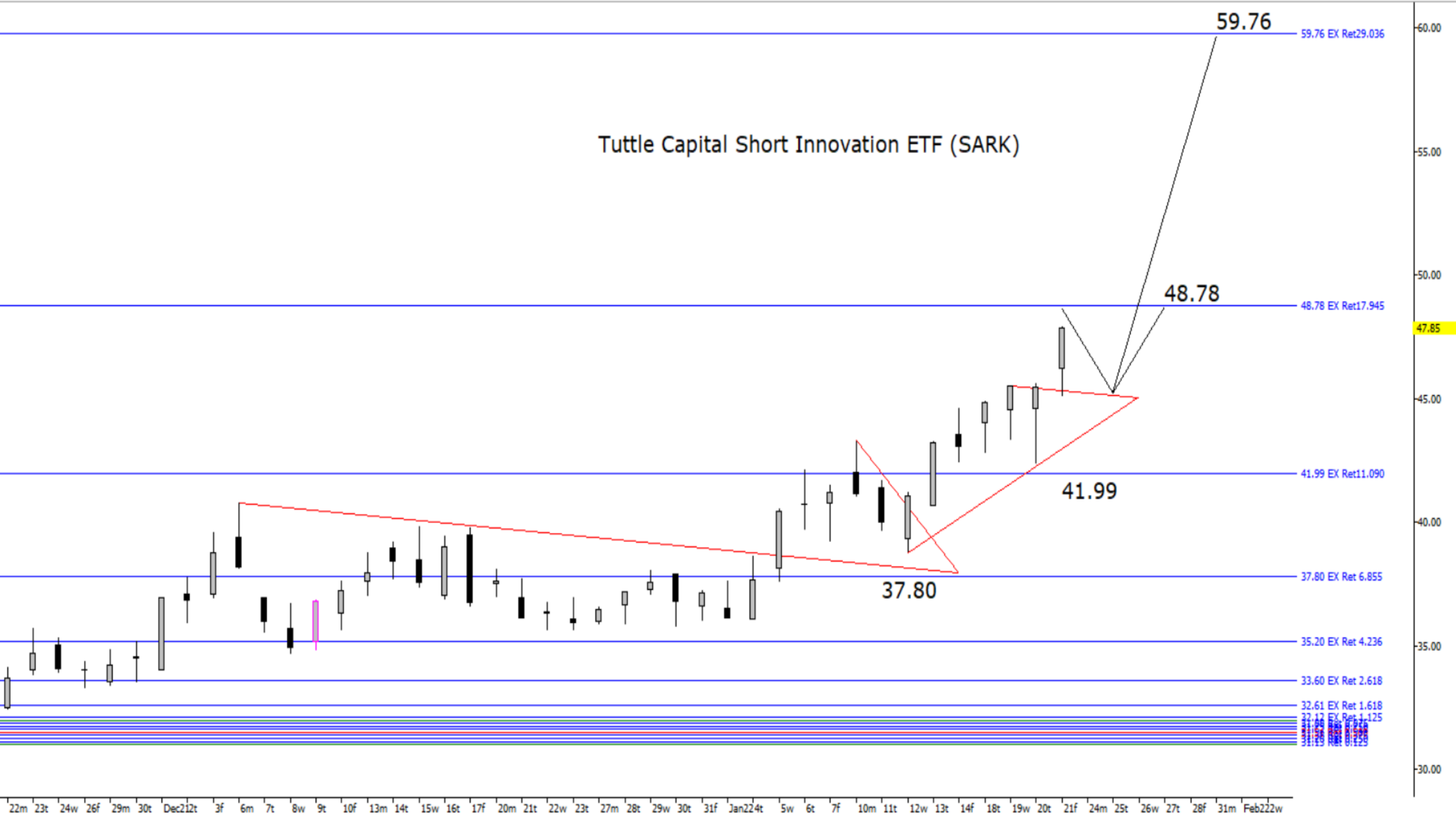
# CBOE Volatility Index (VIX)



## Buy candidate: Tuttle Capital Short Innovation ETF (SARK)

- Portfolio: Shorting ARK Innovation ETF. This trade is designed to move inverse the ARK Innovation ETF (ARKK)
- The current portfolio comprises Coinbase, DraftKings, Roku, Block, Teladoc Health, and Zoom Video positions. These stocks are at the top of my shorting list. The largest position is Coinbase (COIN) discussed in this report.
- Tuttle Capital Short Innovation ETF (SARK) *is close to hitting its first target number at 48.78. The stock closed at 48.30 in after hours trading Friday afternoon.*
- **I will be selling my position in Tuttle Capital Short Innovation ETF (SARK) *as we approach the first target number at 48.78 next week.***
- After selling at the first target, I will buy shares back with a pullback to the 10-day moving average at 43.80.
- Position is at 2-star(\*\*)
- **Under massive institutional accumulation** with an Up/Down Volume ratio of 1.70.
- Tuttle Capital Short Innovation ETF (SARK) closed at 47.85.
- Tuttle Capital Short Innovation ETF (SARK) VWAP is at 37.26.
- Sell target prices: 1st target is **48.78** ; 2nd target is **59.76**
- Stop sell price: Close below **37.80**.

# Tuttle Capital Short Innovation ETF (SARK)





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